



COMMITTEE ON THE BUDGET**MAJORITY CAUCUS****U.S. House of Representatives
105th Congress — Washington, DC**



CLAIMS **versus** *THE FACTS*

ABOUT THE BALANCED BUDGET PLAN

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In recent days, a variety of misleading or plainly incorrect claims have been made about the balanced budget plan. This document aims to set the record straight in some of the key areas.

CLAIM: *The plan spends more and expands the government.*

FACT: Under this plan, the Federal Government will spend approximately \$961 billion less over 10 years than it will spend if we do nothing.

CLAIM: *Most of the \$85-billion tax cut is soaked up by \$35 billion for the President's education priorities. That doesn't leave enough for Republican tax cut priorities, such as the child tax credit or the capital gains tax relief.*

FACT: The plan makes no commitment to a specific \$35 billion for education initiatives. The Ways and Means Committee will determine the size and structure of the tax relief package. The tax cuts in the package are sufficient to accommodate a child tax credit, capital gains tax relief, death tax relief, expanded IRA's, and relief for families who send their children to college.

CLAIM: *The White House has held out for the right to influence any tax bill that moves through Congress, meaning Republican tax writers lack their usual discretion.*

FACT: False. The congressional leadership has agreed only to a framework of types of tax relief provisions that should be included — most of which were our own initiatives — but the final structure and the specifics will be determined by the Ways and Means Committee.

CLAIM: *The Medicare savings are only a third of what Republicans originally wanted.*

FACT: The Medicare savings in the first 5 years of the Balanced Budget Act [BBA] were \$119 billion, compared with the \$115 billion in the current plan. In other words, the savings are nearly identical to the BBA. The President's original proposed savings amount was \$82 billion over 5 years, as scored by the Congressional Budget Office [CBO].

CLAIM: *Most of the savings are being spent on social programs and new entitlements.*

FACT: *First, there are no new entitlement programs assumed in the plan.*

Second, the plan increases domestic discretionary spending by about \$30 billion above a freeze at the 1997 level after accounting for the renewal of Section 8 housing contracts. These housing contract renewals cost about \$35 billion to \$37 billion over 5 years. These renewals will maintain occupancy rates at their current levels; they will not expand the program. About half of the occupants are elderly or disabled.

CLAIM: *The agreement rests on rosy economic assumptions that came together at the last minute.*

FACT: The plan is entirely based on CBO economic assumptions. There are three significant components of these assumptions that should be understood.

1. CPI. The Congressional Budget Office [CBO] expects that in 2000, when the Bureau of Labor Statistics [BLS] updates its measure of the CPI, it will correct the measure to remove a fraction of the upward bias that causes CPI to overstate inflation. BLS's plans for a correction have been widely known. There is no legislated change in CPI.

2. CBO REVENUE CORRECTION. There is widespread misunderstanding about the additional revenue that CBO projected as of last Thursday. This was not a sudden windfall. A similar phenomenon occurred last year, causing CBO to lower its deficit estimate for 1996. CBO thought then

that this was a one-time occurrence. But when it happened again this year, causing CBO to lower its deficit estimate, analysts determined that there was something fundamentally wrong with the revenue projections (which are based on income estimates calculated by the Department of Commerce). CBO therefore adjusted its projected revenue flow and now believes that fixing the technical error *will* lower deficit projections through 2002.

3. THE FISCAL DIVIDEND. Economists have long projected that balancing the budget would produce favorable economic effects. These were assumed in the Balanced Budget Act and would be assumed in any other balanced budget plan.

CLAIM: *The agreement assumes Medicaid's current premium coverage for low-income Medicare beneficiaries (those with incomes under 120 percent of poverty) will be increased to cover seniors with incomes up to 150 percent of poverty.*

FACT: The negotiators have agreed to provide protections for low-income Medicare beneficiaries, but not this specific provision, which would expand protections beyond current law.

Current law under the Specified Low-Income Medicare Beneficiary [SLIMB's] requirement would cover Medicare beneficiaries with incomes up to 120 percent of poverty for all premium costs. The agreement's policies of maintaining the premium at 25 percent of program costs and phasing in the cost of the home health transfer would be covered by this requirement. The current state/Federal share of costs would apply to these policies. *There is no agreement to increase SLIMB's to 150 percent of poverty.*

CLAIM: *The plan assumes restoring some Medicaid and Supplemental Security Income [SSI] benefits for legal immigrants who arrived in the United States after August 22, 1996 (that is, after enactment of welfare reform) and become disabled.*

FACT: This has not been agreed to. The position of the Republican negotiators is to maintain current law — that immigrants who arrived in the United States after enactment of welfare reform (August 22, 1996) are not eligible for Medicaid and SSI disability benefits.

CLAIM: *The budget agreement supports the President's proposal to significantly accelerate the number of Superfund sites cleaned up by 2000.*

FACT: There has been no discussion about Superfund.

CLAIM: *The agreement assumes Republicans will abandon a temporary continuing resolution to prevent a government shutdown.*

FACT: This has not been agreed to.

This document was prepared by the majority staff of the House Committee on the Budget. It has not been approved by the full committee and therefore may not reflect the views of all the committee's members.
